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RUEHQT/AMEMBASSY QUITO 4213
RUEHSG/AMEMBASSY SANTIAGO 8757
RUEHBRC/AMCONSUL RECIFE 0024
RUEHRI/AMCONSUL RIO DE JANEIRO 0858
RUEHSO/AMCONSUL SAO PAULO 1997
RHMFISS/HQ USSOUTHCOM MIAMI FL
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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 001407

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [EPET](#) [ENRG](#) [BL](#)

SUBJECT: BRAZILIANS FIRM ON ECONOMIC ISSUES, BEHIND CLOSED
DOORS

REF: A. RIO DE JANEIRO 234

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Classified By: Amb. David N. Greenlee for reasons 1.4 (b) and (d).

11. (C) Summary: The Ambassador met with Brazilian Ambassador to Bolivia Antonio Mena Goncalves May 24 to discuss Brazilian Foreign Minister Celso Amorim's May 22-23 visit to La Paz. In meetings with the Bolivian government, Amorim deliberately avoided the hydrocarbons issue, but Mena Goncalves told the Ambassador that Brazil is taking strong measures to reduce its dependency on Bolivian gas. The Brazilian Ambassador stated that Petrobras will build three re-gasification plants, accelerate development of its gas reserves in the Santos basin, and "never" increase gas imports from Bolivia. During his visit Amorim reviewed the possible Bolivian expulsion of Brazilians in the Pando department and on the status of Brazilian soy farmers in Santa Cruz; both issues will be handled via new bilateral commissions. Mena Goncalves said the Bolivians sought Brazilian financial aid and political support for depenalization of coca, but came away empty-handed on both fronts. The Brazilians continue to be frustrated by GOB economic policies, yet while they reportedly demonstrate firm resolve behind closed doors, their public messages here in Bolivia are less severe. End summary.

12. (C) The Ambassador met with Brazilian Ambassador to Bolivia Antonio Mena Goncalves May 24 to discuss Brazilian Foreign Minister Celso Amorim's May 22-23 visit to La Paz, which the Brazilian Ambassador described as a "band aid" visit. Amorim met with President Morales, Vice-President Alvaro Garcia Linera and Minister of the Presidency Juan de la Quintana. Mena Goncalves called Morales "unpredictable," and described Garcia Linera as a "sphinx," stating that the Brazilians normally work with de la Quintana and Minister of Economic Planning Carlos Villegas. The Ambassador commented on our working relationship with Garcia Linera, who seems to be the GOB's appointed person to manage the U.S.-Bolivia

bilateral relationship.

HYDROCARBONS-- END RUN AROUND BOLIVIA

13. (C) Mena Goncalves said that while in La Paz, Amorim deliberately avoided the hydrocarbons issue, making a statement by not meeting with Bolivian Hydrocarbons Minister Andres Soliz Rada. The Brazilian Ambassador said that they are working the gas issue in the proper channels (Petrobras with lower-level GOB officials) with limited success, and with palpable hostility on the part of Petrobras. Mena Goncalves told the Ambassador that Brazil is taking strong measures to reduce its dependency on Bolivian gas. For now, Brazil will continue to import gas from Bolivia, but at the lowest levels allowed by the contract. Brazil is accelerating development of the Santos basin gas project (originally scheduled to come on line in 2009 but moved up to 2008), which will eventually provide roughly the amount of gas being supplied by Bolivia. (Note: This information differs at times from the information provided in reftel by Petrobras officials to ConGen Rio.) Petrobras officially abandoned construction of a second gas pipeline from Bolivia to Brazil, and is planning to build three regasification plants in or around Recife, Florianapolis and Sao Paulo or Rio de Janeiro. Mena Goncalves said Amorim did raise Bolivia's military presence at hydrocarbons facilities with Morales, commenting that "countries mobilize troops against enemies, not friends." Morales promised Amorim that he would consider removing the troops from gas installations and the refineries.

14. (C) Mena Goncalves expressed irritation at Morales' attempts to "manipulate" Lula. When discussing the

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Bolivia-Brazil bilateral relationship at the Puerto Iguazu "summit" on May 4, Morales told Lula that he was being "poorly advised" by advisor Marco Aurelio Garcia and his Brazilian Ambassador in Bolivia. Following promulgation of the May 1st hydrocarbons nationalization decree, Morales told Amorim that he had tried to contact Lula, but that Aurelio Garcia would not accept the call. Mena Goncalves said this was a patent lie.

15. (C) The Ambassador inquired whether Brazil was coordinating with Argentina on gas prices. Mena Goncalves said they were, but lamented Argentina's limited price flexibility (NOTE: He stated that the consumer gas price in Brazil was \$6.00 per MM BTU whereas in Argentina, the price was heavily subsidized at \$1.80 per MM BTU). The Brazilian Ambassador said that in addition to the price issue, the Argentines are seeking a long-term gas commitment from Bolivia, which they need to move forward on construction of a pipeline. Mena Goncalves doubted that the Bolivians will give the Argentines more than a short-term deal so they can "keep them on the hook."

LAND AND IMMIGRATION ISSUES

16. (C) Mena Goncalves said Amorim raised the issues of the possible Bolivian expulsion of Brazilians in the Pando department (northern Bolivia) and the status of Brazilian soy farmers in Santa Cruz. According to Mena Goncalves, 2,000 to 10,000 poor Brazilians live near the Bolivia-Brazil border in Pando. Because foreigners are prohibited from owning land within 50 kilometers of the border, and because most of these Brazilians are poor squatters, they are in danger of being expelled. Amorim told the Bolivians that if the Brazilians were expelled, Brazil would have to reciprocate by expelling the 70,000-80,000 Bolivians living illegally in Sao Paulo. In his public comments, Amorim made a veiled reference to this issue, noting that he came to discuss the status of

Bolivians in Brazil. Mena Goncalves said he thinks the Bolivians understand that they have more to lose under that scenario. Likewise, Amorim expressed concern to Morales regarding the status of wealthy Brazilian soy farmers in Santa Cruz who are worried about losing their lands as a consequence of Bolivia's evolving land reform policy. The Brazilian farmers have titles to their land, but have been unable to register their titles despite repeated attempts (some for over ten years) to do so. The Bolivians reassured the Brazilians that their highly productive soy farmers would not be disturbed. Morales agreed to form bilateral commissions with Brazil to address both issues.

AID AND COCA

17. (C) Mena Goncalves said the Bolivians sought Brazilian financial aid, as well as political support for depenalization of coca, but came away empty-handed on both fronts. He told the Ambassador that the Bolivians "don't know what they want," other than a blank check. The Bolivians asked Amorim for 200 tractors, which municipal governments would lease to campesinos. Mena Goncalves said Brazil is not willing to write a blank check, and has to be careful about aid to Bolivia when many Brazilian farmers are struggling. The Brazilians also made Morales aware of their influence in the IDB, especially as chair for the IDB's debt forgiveness program. Amorim told the Bolivians that Brazil wants to cooperate but that the GOB should be careful about what it does and says. On coca, the Bolivians asked a senior Brazilian drug official who accompanied the Brazilian Deputy Foreign Minister on a recent visit for support in depenalizing coca internationally. According to the

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Brazilian Ambassador, the Brazilian drug official replied that such support would be "out of the question," citing Brazil's international commitments.

COMMENT

18. (C) The Brazilians continue to be frustrated by GOB economic policies, yet while they reportedly demonstrate firm resolve behind closed doors, their public messages here in Bolivia are less severe. According to Mena Goncalves, Lula is stinging from the bad press surrounding the hydrocarbons issue, and is vulnerable to attacks from the opposition. Amorim told Morales that Lula's invitation to visit Brazil is still open, but that a visit wouldn't be convenient until the end of the year--well after Brazil's presidential election. The Brazilian Ambassador stated that Venezuela was not discussed during this visit. Attempting to maintain amicable relations with Brazil will remain a high priority for the GOB.
GREENLEE